

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7386

BILL NUMBER: HB 1564

NOTE PREPARED: Jan 6, 2011

BILL AMENDED:

SUBJECT: Notice concerning debt and leases.

FIRST AUTHOR: Rep. Clere

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides for the collection, certification, and presentation to taxpayers of information about the property taxes payable to meet the bond and lease obligations of political subdivisions.

Effective Date: July 1, 2011.

Explanation of State Expenditures: The DLGF currently prescribes the TS-1 tax statement form used by county treasurers. Under this bill, the form would have to be redesigned to add additional information regarding bonds and leases. The DLGF updates the form each year so this change could be incorporated into the annual update for the 2012 form.

Explanation of State Revenues:

Explanation of Local Expenditures: *Taxing Unit Requirements:* Under current law, a taxing unit that issues bonds or enters into a lease must provide information concerning the bond or lease to the Department of Local Government Finance (DLGF) by December 31st of the year issued. This bill would also require the taxing unit to provide the same information to the county treasurer.

Each year, taxing units must currently submit a report to the DLGF regarding the unit's outstanding debt or leases. The report must list the debt and leases by type and must compare the unit's outstanding debt to the unit's debt limit.

In addition, this bill would require each taxing unit to provide the DLGF with additional detail for any

property tax-funded bond issue or lease. The additional information would include:

- 1) The general purpose of the bond issue or lease;
- 2) The bond or lease term;
- 3) A schedule showing the payments from property taxes for each year of the bond or lease term, and the total amount of remaining payments at both the beginning and the end of the year;
- 4) The proposed debt or lease property tax rate for the upcoming year; and
- 5) A brief explanation of changes in the bond or lease terms.

The DLGF would withhold certification of a taxing unit's levy, tax rate, and budget if the unit fails to provide the required information. The DLGF would be also permitted to approve or revise information provided by a taxing unit.

The required information should be available to the taxing unit as part of the bond or lease documentation. Taxing units should experience little administrative burden to comply with these reporting requirements.

Tax Statements: Under current law, the county treasurer must annually mail an informational tax statement, called a TS-1, to each property owner. In addition to the information currently contained in the statement, beginning in CY 2012, this bill would require the addition of (1) a schedule containing the new detailed bond and lease information required above and (2) a statement of the tax rate and property tax amount that the taxpayer would have to pay if the debt and lease payments were not included.

The county auditor calculates each taxpayer's property tax amount each year. In order to report the tax rate and tax amount void of debt and leases, the county auditor would have to recalculate the tax rate and then simulate the tax computations for each taxpayer using the recalculated tax rate. There could be considerable cost to the counties for computer programming to provide this information. The actual cost is not known at this time.

The county would also have to compile, for each taxing district, the bond and lease schedules for each taxing unit that is located in that district. The compiled schedules would then have to be included with each TS-1 in that taxing district. The additional printing and handling of the notices would increase the treasurers' expense for sending the TS-1. There are about 4.2 M real property parcels and personal property tax returns, statewide.

Explanation of Local Revenues:

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: All civil taxing units and school corporations; County auditors; County treasurers.

Information Sources: OFMA property tax database.

Fiscal Analyst: Bob Sigalow, 317-232-9859.